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## Brazil

## Grain and Feed

## Brazilian Wheat Exports

## 2003

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**Report Highlights:**

In early November, Brazil began exporting significant amounts of wheat for the first time ever due to a large domestic harvest and low internal prices. Post forecasts 2003/04 exports at 500,000 tons. However, Brazil is forecast to remain a large importer with 2003/04 imports forecast at 5.6 million tons.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Brasilia [BR1]  
[BR]

Due to a very large domestic crop, slow domestic buying, and attractive international prices, Brazil is exporting wheat for the first time. Approximately 90 percent of Brazil's production is concentrated in the two southern states of Rio Grande do Sul (RS) and Parana. Very large crops in these states due to increased area and high yields will lead to an estimated national crop of 5.2, which is 2.3 million tons greater than last year and 600,000 tons greater than the previous Post estimate. Frosts during the flowering period and at harvest (nearly 90 percent complete) were only minimally damaging this year as opposed to most years. With a glut of wheat and steady demand by domestic millers, producers claim that domestic prices have fallen below the cost of production.

Faced with low prices and abundant supplies needed to be moved out of storage before the summer soybean and corn harvests in March, farmers have pressed millers to pick up buying. They have also attempted to get the government to provide more funding for options contracts to boost prices. However, neither of these attempts has worked. Government intervention in the form of options auctions has been limited and not significantly impacted market prices. Additionally, millers have limited storage and are sufficiently covered for several months. Therefore, cooperatives in RS and Parana have turned to exports in an effort to increase domestic prices. To some extent this has worked. Initial sales of wheat were said to be executed at U.S. \$150 FOB but recent sales were higher at \$165 FOB. In addition, Brazilian millers are said to be concerned by the exports and have increased purchase prices.

Traders report that cooperatives in the state of RS have already sold nearly 300,000 tons. Additionally, it is believed that over 100,000 tons have been sold from the state of Parana. Sources estimate that final exports could be as high as 600,000 tons but Post believes that strengthening domestic prices will limit exports to 500,000 tons. Shipments are expected to begin in December and may extend through March and beyond. Opinions regarding destinations for the wheat vary greatly. However, most sources agree that much of the wheat is headed to North Africa and Eastern Europe. Post does not believe the wheat is destined exclusively for feed use, as has been reported. Brazilian wheat is generally considered to be of lower quality than wheat from most major global wheat exporting countries, but this year's crop is much better than previous years. Wheat from the state of PR is said to be particularly good and suitable for milling. Therefore, much of the wheat headed to Eastern Europe and North Africa will likely be milled. However, sources report that wheat from RS has been sold to Western Europe and this is presumed to be destined for feed rations.

Brazil's entrance in the global wheat market as an importer is not expected to be long-term. Even with a large crop this year, domestic production will fill only about half of Brazilian consumption with the rest filled through imports from Argentina, the United States, and Canada. However, exports appear to be a viable short-term option for producers in Southern Brazil to market this year's large crop and put upward pressure on domestic prices.